

DEPARTMENT OF TRANSPORTATION

M e m o r a n d u m**To:** CHAIR AND COMMISSIONERS**CTC Meeting:** March 15-16, 2006**Reference No.:** 4.4
Action Item**From:** CINDY McKIM
Chief Financial Officer**Prepared by:** Norma Ortega
Chief
Division of Budgets**Ref:** **SIX-MONTH ESTIMATE OF LOAN CAPACITY UNDER AB 1012
RESOLUTION G-06- , REPLACING RESOLUTION G-05-03****BACKGROUND:**

AB 1012 (Chapter 783, Statutes of 1999) established a program to loan unallocated funds from the State Highway Account (SHA) to transportation planning agencies, county transportation commissions, transit districts, city and county governments, and local transportation authorities. These loans are to be made available for the advancement of projects eligible under the State Transportation Improvement Program and that are included within an adopted Regional Transportation Plan. Government Code Section 14529.6 (c) states that the loan program is to automatically commence on a first-come, first-served basis whenever the SHA cash balance exceeds \$400 million and will suspend whenever the commission determines the SHA cash balance is less than \$400 million. Loans amounts are limited, with a maximum of \$500 million to be outstanding at any one time and a maximum loan of \$100 million per county. Loans are to be repaid within four years.

AB 1012 requires that twice a year, on January 15 and July 15, the California Transportation Commission (Commission) adopt projections of funding availability and the period of time that the funds will be available. Estimates of funding availability were presented to the Commission at the July 2005 meeting. The Commission adopted Resolution G-05-03, recommending that loans be considered due to the projected high ending cash balance.

DISCUSSION:

To date, no agency has applied for loans through the AB 1012 loan program. As required by law the loans are short-term, up to only four years, which could make it difficult for the borrower to repay large balances. Also, interest rates are tied to the Pooled Money Investment Account rates and had been high when there was a surplus of cash in the SHA making lower interest rates available elsewhere more attractive. Additionally, since the loan program was not available during the recent fiscal crisis due to low cash balances in the SHA, remarketing the availability of the loans to potential borrowers could be a key factor in increasing demand for the AB 1012 loan program.

The available cash balance in the SHA is \$722 million, as of December 31, 2005. The projected ending cash balance for June 2006 is \$660 million. During the 24-month period covered by the current SHA cash forecast, the lowest monthly balance is \$450 million, projected to occur in October 2006. The prudent cash balance, developed as part of the 2006 Fund Estimate, is \$340 million. The difference between the forecast low and the prudent cash balance is \$110 million, which may be considered for loans to local Agencies.

RECOMMENDATION:

The Department recommends the Commission continue this loan program for the six-month period from January 2006 through June 2006. The Commission may wish to entertain loan requests up to an aggregate loan amount of \$110 million.

Upon receiving loan requests, the Department will analyze the impact to the cash balance and present to the Commission a recommendation of appropriate loan options during the loan approval process.

Attachment

CALIFORNIA TRANSPORTATION COMMISSION
State Highway Account Loan Program
Six-Month Estimated Loan Capacity under AB 1012

Resolution G-06-__, Replacing Resolution G-05-03

- 1.1 WHEREAS, Section 14529.6 of the Government Code (GC) was added by Chapter 783 of the Statutes of 1999 (AB 1012, Torlakson), hereinafter referred to as “the act”, and
- 1.2 WHEREAS, GC Section 14529.6 establishes a loan program to advance unallocated funds from the State Highway Account (SHA) for the advancement of projects eligible under the State Transportation Improvement Program (STIP) that are included within an adopted regional transportation plan; and
- 1.3 WHEREAS, the California Transportation Commission (Commission) is required by the act to adopt, in January and July of each year, a projection of funds that may be available to be loaned and the period of time during which funds will be available; and
- 1.4 WHEREAS, the act directs the Department of Transportation (Department) to report to the Commission, prior to adoption of a projection, the cash-flow needs for the STIP for the following six months; and
- 1.5 WHEREAS, GC Section 14529.6 (c) authorizes the loan program, when the Commission determines that the SHA cash balance will be greater than \$400 million; and
- 1.6 WHEREAS, the SHA adjusted cash balance on December 31, 2005, was \$722 million and the projected ending cash balance for Fiscal Year 2005-06 is estimated to be \$660 million; and
- 1.7 WHEREAS, the Department may make certain loans without jeopardizing funding of the Department’s daily operations.
- 2.1 NOW THEREFORE BE IT RESOLVED that the Commission does hereby acknowledge that the SHA cash balance is projected to be greater than \$400 million and that the loan program for the six-month period from January 2006 through June 2006 be continued in accordance with GC Section 14529.6 (c).